
Addendum to Underwriting Narrative

Management Agent (if applicable)

**Addendum to Underwriting
Narrative – Management
Agent**

**U.S. Department of Housing
and Urban Development**
Office of Healthcare Programs

OMB Approval No. 9999-9999
(exp. mm/dd/yyyy)

Section 232
(223(a)(7), 223(d), 241(a))

Public reporting burden for this collection of information is estimated to average 0.5 hours. This includes the time for collecting, reviewing, and reporting the data. The information is being collected to obtain the supportive documentation which must be submitted to HUD for approval, and is necessary to ensure that viable projects are developed and maintained. The Department will use this information to determine if properties meet HUD requirements with respect to development, operation and/or asset management, as well as ensuring the continued marketability of the properties. Response to this request for information is required in order to receive the benefits to be derived. This agency may not collect this information, and you are not required to complete this form unless it displays a currently valid OMB control number. No confidentiality is assured.

Warning: HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Privacy Act Notice: The United States Department of Housing and Urban Development, Federal Housing Administration, is authorized to solicit the information requested in the form by virtue of Title 12, United States Code, Section 1701 et seq., and regulations promulgated thereunder at Title 12, Code of Federal Regulations. While no assurance of confidentiality is pledged to respondents, HUD generally discloses this data only in response to a Freedom of Information Act request.

This addendum is applicable to Section 223(a)(7), Section 241(a), or Section 223(d) loans when a change in Management Agent has occurred or is proposed. The addendum must be provided if the Management Agent has not been previously approved by HUD for the subject property.

Name: _____

Relation to Mortgage: Owner Managed/IOI Entity/Independent/Other

Principals/Officers: _____

Key Questions

	<u>Yes</u>	<u>No</u>
1. Does the Management Agent have experience managing other FHA-insured properties?	_____	_____
a. Has the agent received any “unsatisfactory” management reviews from HUD?	_____	_____
b. Have any managed, owned, or operated properties received REAC scores lower than 80?	_____	_____
2. Does the Management Agent have less than 3-years of experience managing similar properties?	_____	_____

~~This addendum is applicable to Section 223(a)(7), Section 241(a), or Section 223(d) loans when a change in Management Agent has occurred or is proposed. The addendum must be provided if the Management Agent has not been previously approved by HUD for the subject property.~~

Version 02-05-2009

Addendum to Underwriting Narrative

3. If the Management Agent is named on the license for the facility, does the Management Agent contract out nursing services other than temporary staffing through an agency and/or contracting for ancillary services (e.g., therapies, pharmaceuticals)? Yes No

If you answer "yes" to any of the above questions, please briefly address below.

<<For each "YES" answer above, provide a narrative discussion regarding the topic. Example:

Previous HUD Experience

Project Name	Project City	Project State	Type of Facility

>>

Experience / Qualifications

<< Narrative description of experience and qualifications. Discussion should highlight direct experience and involvement in other FHA transactions. This section should clearly demonstrate the expertise to successfully manage the facility and meet the obligations of the management agreement.>>

Credit History

Report Date: _____

Firm: _____

Score: _____

Key Questions

1. Does the credit report identify any material derogatory information not previously discussed? Yes No
2. Does the underwriter have any concerns related to their review of the credit report? Yes No

If you answer "yes" to any of the above questions, please briefly address below.

<<For each "YES" answer above, provide a narrative discussion regarding the topic.>>

Other Facilities Owned, Operated or Managed

1. Does the Management Agent own, operate, or manage any other facilities? Yes No

~~This addendum is applicable to Section 223(a)(7), Section 241(a), or Section 223(d) loans when a change in Management Agent has occurred or is proposed. The addendum must be provided if the Management Agent has not been previously approved by HUD for the subject property.~~

Version 02-05-2009

Addendum to Underwriting Narrative

- | | <u>Yes</u> | <u>No</u> |
|---|------------|-----------|
| a. Do any of the other facilities have pending judgments; legal actions or suits; or, bankruptcy claims? | _____ | _____ |
| b. Do any of the other facilities have any open professional liability insurance claims? | _____ | _____ |
| c. Do any of the other facilities have any open State findings related to instances of actual harm and/or immediate jeopardy (G or higher for skilled nursing)? | _____ | _____ |

If you answer "yes" to any of the above questions, please briefly address below.

<<For each "YES" answer above, provide a narrative discussion regarding the topic. Example:

Other Facilities:

XXXXX identified XX other facilities it owns, operates, or manages in addition to the subject facility....

>>

Past and Current Performance

Indicator	Findings
Billing	<<acceptable>>
Controlling Operating Expenses	
Vacancy Rates	
Resident Turnover	
Rent Collection and Accounts Receivable	
Physical Security	
Physical Condition and Maintenance	
Resident Relations	

<<Provide narrative support for review and finding. For example, "Based on interviews with the principals of the mortgagor and management agent, as well as a review of the management policies and procedures, the underwriter has concluded that the management agent has demonstrated acceptable past and current performance with regard to all of the above indicators.">>

Management Agreement

Date of Agreement: _____
Agreement Expires: _____
Management Fee: _____

~~*This addendum is applicable to Section 223(a)(7), Section 241(a), or Section 223(d) loans when a change in Management Agent has occurred or is proposed. The addendum must be provided if the Management Agent has not been previously approved by HUD for the subject property.*~~

Version 02-05-2009

Addendum to Underwriting Narrative

Key Questions

	<u>Yes</u>	<u>No</u>
1. Does the agreement sufficiently describe the services the agent is responsible for performing and for which the agent will be paid management fees?	_____	_____
2. Does the agreement provide that the management fees will be computed and paid according to HUD requirements?	_____	_____
3. Does the agreement provide that HUD may require the owner to terminate the agreement (1) Immediately, in the event a default under the Mortgage, Note, Regulatory Agreement, or Subsidy Contract attributable to the management agent occurs; (2) Upon 30 days without penalty and without cause upon written request by HUD and contain a provision that gives no more than a thirty day notice, for failure to comply with the provisions of the Management Certification or other good cause; or (3) When HUD takes over as Mortgagee in Possession (MIP)? termination?	_____	_____
4. Does the agreement provide that HUD's rights and requirements will prevail in the event the management agreement conflicts with them?	_____	_____
5. Does the agreement provide that the management agent will turn over to the owner all of the project's cash trust accounts, investments, and records immediately, but in no event more than 30 days after the date the management agreement is terminated?	_____	_____
6. The agreement does NOT exempt the agent from all liability for damages and injuries?	_____	_____

Formatted Table

If you answer "NO" to any of the above questions, please briefly address below.

<<For each "NO" answer above, provide a narrative discussion regarding the topic.>>

HUD Documents

Form HUD-9839-?

<<Provide narrative review. For example, "The form HUD-9839-B, Project Owner's/Management Agent's Certification, provided in the application package indicates a management fee of XX percent of the residential, commercial and miscellaneous income collected, which is in line with industry standards for projects of this size. The term of the agreement is for XX-years. The stated fee and term match those stated in the management agreement. The fee calculations on page 4 are coordinated with the underwriting conclusions.">>

Form HUD-9832

<<Provide narrative review. For example, "The form HUD-9832, Management Entity Profile, is provided in the application. The form has been reviewed by the underwriter and found acceptable for underwriting. The management agent's responses are indicative of experienced management agents in the industry and demonstrate the agent's experience.">>

~~This addendum is applicable to Section 223(a)(7), Section 241(a), or Section 223(d) loans when a change in Management Agent has occurred or is proposed. The addendum must be provided if the Management Agent has not been previously approved by HUD for the subject property.~~

Version 02-05-2009

Addendum to Underwriting Narrative

Conclusion

<<Provide narrative discussion of underwriter's conclusion and recommendation. For example, "The Management Agent has demonstrated an acceptable credit history and has the experience to continue to successfully manage this facility. The underwriter recommends this Management Agent for approval as an acceptable participant in this transaction.">>

~~This addendum is applicable to Section 223(a)(7), Section 241(a), or Section 223(d) loans when a change in Management Agent has occurred or is proposed. The addendum must be provided if the Management Agent has not been previously approved by HUD for the subject property.~~

Version 02-05-2009